

**COTTRELLVILLE TOWNSHIP, MICHIGAN**  
St. Clair County, Michigan

**ANNUAL FINANCIAL REPORT**  
with Supplementary Information

**FOR THE YEAR ENDED**  
**MARCH 31, 2008**

**COTTRELLVILLE TOWNSHIP, MICHIGAN**  
**St. Clair County, Michigan**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board  
Cottrellville Township  
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cottrellville Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the basic financial statements of the Township as listed in the table of contents. These financial statements are the responsibility of Cottrellville Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cottrellville Township, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6, and budgetary comparisons on pages 30 and 31 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottrellville Township's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

October 7, 2008

### OVERVIEW OF THE FINANCIAL STATEMENTS

Cottrellville Township's 2008 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

#### *Government-wide Financial Statements*

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental activities** – most of the Township's basic services are included here, such as the fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

**Business-type activities** – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

## **FINANCIAL OVERVIEW (Government-wide financial analysis)**

The Township has combined total net assets of \$3,156,263. This is a decrease over 2007 of \$37,264. Government-type activities comprise \$1,576,618, and business-type activities make up \$1,579,645 of the total net assets. In a condensed format, the table below shows net assets as of the March 31, 2008 and 2007.

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
<b>Assets</b>				
Current assets	\$ 862,866	\$ 793,573	\$ 478,181	\$ 663,197
Restricted assets	-	-	97,200	-
Noncurrent assets	721,545	730,304	1,110,198	1,136,932
Total assets	<u>1,584,411</u>	<u>1,523,877</u>	<u>1,685,579</u>	<u>1,800,129</u>
<b>Liabilities</b>				
Current liabilities	<u>7,793</u>	<u>12,307</u>	<u>105,934</u>	<u>104,484</u>
Total liabilities	<u>7,793</u>	<u>12,307</u>	<u>105,934</u>	<u>104,484</u>
<b>Net Assets</b>				
Invested in capital assets – Net of related debt	721,545	730,304	1,110,198	1,136,932
Restricted	176,158	-	97,200	97,200
Unrestricted	<u>678,915</u>	<u>781,266</u>	<u>372,247</u>	<u>461,513</u>
Total net assets	<u>\$ 1,576,618</u>	<u>\$ 1,511,570</u>	<u>\$ 1,579,645</u>	<u>\$ 1,695,645</u>

The Township governmental activities experienced a net change in assets of \$65,048. The business-type activities experienced a decrease in net assets of \$102,312.

The following table shows the changes in net assets for 2008 and 2007:

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 203,061	\$ 164,574	\$ 484,726	\$ 482,221
Operating grants and contributions	17,722	27,456	-	-
Capital grants and Contributions	-	29,000	10,000	-
General revenue:				
Property taxes	129,668	130,029	-	-
Unrestricted grants and contributions	279,225	303,220	-	-
Unrestricted investment earnings	<u>27,274</u>	<u>28,247</u>	<u>19,365</u>	<u>18,079</u>
Total Revenue	<u>656,950</u>	<u>682,576</u>	<u>514,091</u>	<u>500,300</u>
<b>Program Expenses</b>				
Community and Economic Development	7,567	14,615	-	-
General government	249,461	233,788	-	-
Public safety	87,595	105,493	-	-
Public works	221,199	267,786	-	-
Recreation and cultural	26,080	16,290	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>616,403</u>	<u>702,949</u>
Total Program Expenses	<u>591,902</u>	<u>637,972</u>	<u>616,403</u>	<u>702,949</u>
<b>Other Items</b>				
Transfers	<u>-</u>	<u>(168,131)</u>	<u>-</u>	<u>168,131</u>
Total Other Items	<u>-</u>	<u>(168,131)</u>	<u>-</u>	<u>168,131</u>
<b>Changes in net assets</b>	<u>\$ 65,048</u>	<u>\$ (123,577)</u>	<u>\$ (102,312)</u>	<u>\$ (34,518)</u>

### ***Governmental Activities***

Revenues for governmental activities totaled \$656,950 in 2008. This is a decrease of \$25,626 from 2007. The largest revenues source of the Township is State Shared Revenue of \$266,004 followed by charges for service of \$203,061 and taxes of \$129,668.

### ***Business-type Activities***

The Township has two business-type activities, the water and sewer operations. Total revenues, including interest on investments, were \$514,091 and expenses were \$616,403 for a decrease in net assets of \$102,312.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### ***Governmental Funds***

The General fund ended 2008 with a fund balance of \$678,915, which was unreserved and undesignated. This is an increase of \$7,068.

The Garbage Fund ended 2008 with a fund balance of \$112,857 and an increase of \$7,252.

During the year the Township Board monitors the budget, and if necessary, amend the budget to take into account unanticipated events that occur during the year. The following significant amendments were made during the year:

#### General Fund -

- Transfers in were decreased from \$204,738 to \$134,738 due to a decrease in expenditures for park improvements.

Significant differences between the Original/Final Budget and actual are as follows:

#### General Fund -

- The General Government Other Expenditure was \$35,856 less than budgeted as a result of various adjustments by the new Board.
- The Fire Department Expenditures were \$59,409 less than budgeted since they did not need to make a payment for a new fire truck.
- The Road Expenditure was \$25,524 under budget because certain work was not ordered.
- The Budget anticipated that \$134,738 would be transfer from other funds; this amount was not transferred in because the monies were not available.
- The General Fund Transfer Out of \$74,000 that was not budgeted however was transfer for Park Project.

#### Other Funds -

- The Parks fund transfer in of \$74,000 was not budgeted however was transferred for the general fund.

#### ***Business-type Activities***

As indicated earlier, the Township only has two business-type activities, the water and sewer operations. Total revenues including interest or investment earning were \$514,091 and expenses were \$616,403 for a decrease in net assets of \$102,312.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

The Township had \$1,831,743 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of March 31, 2008. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, and water and sewer lines. During the year, the Township added \$40,894 of capital assets, \$20,894 in government-type activities and \$20,000 in the business-type activities.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 33,800	\$ -	\$ 33,800
Land improvements	375,215	-	375,215
Building and improvements	309,563	-	309,563
Equipment	109,463	15,936	125,399
Water and sewer lines	-	2,314,865	2,314,865
Construction in progress	-	-	0
	<u>828,041</u>	<u>2,330,801</u>	<u>3,158,842</u>
Accumulated depreciation	( <u>106,496</u> )	( <u>1,220,603</u> )	( <u>1,327,099</u> )
	<u>\$ 721,545</u>	<u>\$ 1,110,198</u>	<u>\$ 1,831,743</u>

Additional information on the Township's capital assets can be found in Note 5.

#### ***Long-Term Debt***

At June 30, 2008 the Township had no long-term debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Township, similar to most municipalities in the state of Michigan, continues to experience difficult financial times. The Township has experienced reductions in state-shared revenues in recent years. While little or no growth has been experienced in revenues, most expenditures continue to grow at the rate of inflation or higher (in the case of health insurance expenditures). However, the Township was able to adopt a balance budget for fiscal 2009.

## **CONTACTING THE TOWNSHIP**

This financial report is designated to provide a general overview of the Township's finances to our residents and other interested parties in understanding the Township's financial condition. If you have any questions about this report, or need additional information, please contact the Township office at 810-329-9042.



## **BASIC FINANCIAL STATEMENTS**

# COTTRELLVILLE TOWNSHIP

## STATEMENT OF NET ASSETS

**MARCH 31, 2008**

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 639,363	\$ 136,097	\$ 775,460
Investments	150,000	150,000	300,000
Receivables	73,503	192,084	265,587
Restricted assets -			
Cash and cash equivalents	-	97,200	97,200
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	33,800	-	33,800
Assets being depreciated	687,745	1,110,198	1,797,943
Total Assets	<u>1,584,411</u>	<u>1,685,579</u>	<u>3,269,990</u>
<b>LIABILITIES:</b>			
Payables and accrued liabilities	<u>7,793</u>	<u>105,934</u>	<u>113,727</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	721,545	1,110,198	1,831,743
Restricted			
Cherry Beach Street Lighting	1,010	-	1,010
Parks and Recreation	62,291	-	62,291
Refuse Collection	112,857	-	112,857
Capital Improvements	-	97,200	97,200
Unrestricted	<u>678,915</u>	<u>372,247</u>	<u>1,051,162</u>
Total Net Assets	<u>\$ 1,576,618</u>	<u>\$ 1,579,645</u>	<u>\$ 3,156,263</u>

The accompanying notes are an integral part of these financial statements.

# COTTRELLVILLE TOWNSHIP

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 249,461	\$ 29,502	\$ -	\$ -
Public Safety	87,595	15,621	1,733	-
Public Works	221,199	156,818	-	-
Recreation and Culture	26,080	1,120	15,989	-
Community and Economic Development	7,567	-	-	-
Total governmental activities	591,902	203,061	17,722	-
Business type activities				
Water Supply System	348,879	268,105	-	10,000
Wastewater	267,524	216,621	-	-
Total business type activities	616,403	484,726	-	10,000
Total Primary Government	\$ 1,208,305	\$ 687,787	\$ 17,722	\$ 10,000

General revenues:

Property taxes

Grants and contribution not  
restricted to specific programs

Unrestricted investment income

Total general revenues

Change in net assets

Net assets at beginning of year

Prior period adjustment

Net assets at beginning of year, restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		
Governmental Activities	Business Type Activities	Total
\$( 219,959)	\$ -	\$( 219,959)
( 70,241)	-	( 70,241)
( 64,381)	-	( 64,381)
( 8,971)	-	( 8,971)
( 7,567)	-	( 7,567)
<u>( 371,119)</u>	<u>-</u>	<u>( 371,119)</u>
-	( 70,774)	( 70,774)
-	( 50,903)	( 50,903)
<u>-</u>	<u>( 121,677)</u>	<u>( 121,677)</u>
<u>\$( 371,119)</u>	<u>\$( 121,677)</u>	<u>\$( 492,796)</u>
129,668	-	129,668
279,225	-	279,225
27,274	19,365	46,639
<u>436,167</u>	<u>19,365</u>	<u>455,532</u>
65,048	( 102,312)	( 37,264)
1,511,570	1,695,645	3,207,215
<u>-</u>	<u>( 13,688)</u>	<u>( 13,688)</u>
<u>1,511,570</u>	<u>1,681,957</u>	<u>3,193,527</u>
<u>\$ 1,576,618</u>	<u>\$ 1,579,645</u>	<u>\$ 3,156,263</u>

# COTTRELLVILLE TOWNSHIP

## BALANCE SHEET GOVERNMENTAL FUNDS MARCH 31, 2008

	<u>General</u>	<u>Garbage</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 478,017	\$ 97,641	\$ 63,705	\$ 639,363
Investments	150,000	-	-	150,000
Receivables -				
Taxes	10,567	-	-	10,567
Accounts and interest	6,360	15,216	122	21,698
Due from other governmental units -				
State	40,978	-	-	40,978
Due from other funds	260	-	-	260
	<u>686,182</u>	<u>112,857</u>	<u>63,827</u>	<u>862,866</u>
Total Assets	<u>\$ 686,182</u>	<u>\$ 112,857</u>	<u>\$ 63,827</u>	<u>\$ 862,866</u>
<b>Liabilities:</b>				
Accounts payable	\$ 7,267	\$ -	\$ 526	\$ 7,793
<b>Fund Balances:</b>				
Undesignated -				
General Fund	678,915	-	-	678,915
Special Revenue Funds	-	112,857	63,301	176,158
Total Equity	<u>678,915</u>	<u>112,857</u>	<u>63,301</u>	<u>855,073</u>
	<u>686,182</u>	<u>112,857</u>	<u>63,827</u>	<u>862,866</u>
Total Liabilities and Fund Equity	<u>\$ 686,182</u>	<u>\$ 112,857</u>	<u>\$ 63,827</u>	<u>\$ 862,866</u>

The accompanying notes are an integral part of these financial statements.

**COTTRELLVILLE TOWNSHIP**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
MARCH 31, 2008**

Fund Balances - total governmental funds	\$	855,073
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Capital assets	828,041
Accumulated depreciation	( 106,496)
Net Assets of governmental activities	<u>\$ 1,576,618</u>

The accompanying notes are an integral part of these financial statements.

# COTTRELLVILLE TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2008

	General	Garbage	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 129,668	\$ -	\$ -	\$ 129,668
Licenses and permits	30,575	-	-	30,575
Intergovernmental -				
Federal/State	266,004	-	-	266,004
Local	-	-	15,889	15,889
Interest and rent	27,274	-	-	27,274
Other	29,602	155,438	2,500	187,540
Total Revenues	<u>483,123</u>	<u>155,438</u>	<u>18,389</u>	<u>656,950</u>
<b>Expenditures:</b>				
Current -				
General Government	233,760	-	-	233,760
Public Safety	87,595	-	-	87,595
Public Works	71,633	148,186	1,380	221,199
Recreation and Cultural	1,500	-	31,522	33,022
Community and Economic Development	7,567	-	-	7,567
Total Expenditures	<u>402,055</u>	<u>148,186</u>	<u>32,902</u>	<u>583,143</u>
Revenues over (under) expenditures	<u>81,068</u>	<u>7,252</u>	<u>( 14,513)</u>	<u>73,807</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	74,000	74,000
Transfers out	( 74,000)	-	-	( 74,000)
Total Other Financing Sources (Uses)	<u>( 74,000)</u>	<u>-</u>	<u>74,000</u>	<u>-</u>
Net Change in Fund Balances	7,068	7,252	59,487	73,807
Fund Balances at beginning of year	<u>671,847</u>	<u>105,605</u>	<u>3,814</u>	<u>781,266</u>
Fund Balances at end of year	<u><u>\$ 678,915</u></u>	<u><u>\$ 112,857</u></u>	<u><u>\$ 63,301</u></u>	<u><u>\$ 855,073</u></u>

The accompanying notes are an integral part of these financial statements.

**COTTRELLVILLE TOWNSHIP**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007**

Net change in fund balances - total governmental funds	\$	73,807
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		20,894
Depreciation expense	(	<u>29,653</u> )
Change in net assets of governmental activities	\$	<u><u>65,048</u></u>

The accompanying notes are an integral part of these financial statements.



# COTTRELLVILLE TOWNSHIP

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS MARCH 31, 2008

	Water	Sewer	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 10,600	\$ 125,497	\$ 136,097
Investments	-	150,000	150,000
Receivables -			
Accounts and interest	96,632	56,520	153,152
Special assessment	19,429	19,503	38,932
Total Current Assets	<u>126,661</u>	<u>351,520</u>	<u>478,181</u>
<b>Restricted Assets:</b>			
Cash and cash equivalents	<u>-</u>	<u>97,200</u>	<u>97,200</u>
<b>Property, Plant and Equipment:</b>			
Property, plant and equipment	824,519	1,506,282	2,330,801
Less - accumulated depreciation	<u>( 206,147)</u>	<u>( 1,014,456)</u>	<u>( 1,220,603)</u>
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>618,372</u>	<u>491,826</u>	<u>1,110,198</u>
Total Assets	<u>745,033</u>	<u>940,546</u>	<u>1,685,579</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	<u>82,177</u>	<u>23,757</u>	<u>105,934</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	618,372	491,826	1,110,198
Reserved for capital improvements	-	97,200	97,200
Unrestricted			
Undesignated	<u>44,484</u>	<u>327,763</u>	<u>372,247</u>
Total Net Assets	<u><u>\$ 662,856</u></u>	<u><u>\$ 916,789</u></u>	<u><u>\$ 1,579,645</u></u>

The accompanying notes are an integral part of these financial statements.

# COTTRELLVILLE TOWNSHIP

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED MARCH 31, 2008

	Water	Sewer	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 265,675	\$ 214,274	\$ 479,949
<b>Operating Expenses:</b>			
Salaries	10,375	12,947	23,322
Supplies	610	442	1,052
Water purchases	301,245	-	301,245
Sewer service cost	-	161,818	161,818
Contracted services	1,188	-	1,188
Repairs and maintenance	13,638	50,452	64,090
Utilities	242	5,225	5,467
Miscellaneous	4,821	6,666	11,487
Depreciation	16,760	29,974	46,734
Total Operating Expenses	348,879	267,524	616,403
Operating Loss	( 83,204)	( 53,250)	( 136,454)
<b>Non-Operating Revenues:</b>			
Interest income	2,119	17,246	19,365
Special assessment interest	2,430	2,347	4,777
Total Non-Operating Revenues	4,549	19,593	24,142
Net loss before capital contributions	( 78,655)	( 33,657)	( 112,312)
Capital contribution	10,000	-	10,000
Net Loss	( 68,655)	( 33,657)	( 102,312)
Net Assets at beginning of year	737,956	957,689	1,695,645
Prior period adjustment	( 6,445)	( 7,243)	( 13,688)
Net Assets at beginning of year, restated	731,511	950,446	1,681,957
Net Assets end of year	\$ 662,856	\$ 916,789	\$ 1,579,645

The accompanying notes are an integral part of these financial statements.

**COTTRELLVILLE TOWNSHIP**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2008**

	Water	Sewer	Total
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 257,452	\$ 217,375	\$ 474,827
Cash payments to suppliers	( 322,998)	( 231,834)	( 554,832)
Cash payments to employees	( 10,405)	( 12,982)	( 23,387)
Net Cash Used by Operating Activities	<u>( 75,951)</u>	<u>( 27,441)</u>	<u>( 103,392)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Payments received on special assessments	8,390	7,435	15,825
Net Cash Provided by Capital and Related Financing Activities	<u>8,390</u>	<u>7,435</u>	<u>15,825</u>
<b>Cash Flows From Investing Activities:</b>			
Purchase of investments	-	( 150,000)	(150,000)
Purchase of fixed assets	( 10,000)	-	( 10,000)
Interest earned	2,119	15,571	17,690
Net Cash Used by Investing Activities	<u>( 7,881)</u>	<u>( 134,429)</u>	<u>( 142,310)</u>
Net Decrease in Cash and Cash Equivalents for the year	( 75,442)	( 154,435)	( 229,877)
Cash and Cash Equivalents at Beginning of Year	86,042	377,132	463,174
Cash and Cash Equivalents at End of Year	<u>\$ 10,600</u>	<u>\$ 222,697</u>	<u>\$ 233,297</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating loss for the year	\$( 83,204)	\$( 53,250)	\$( 136,454)
Adjustments to reconcile operating loss to net cash used by operating activities -			
Depreciation	16,760	29,974	46,734
Change in assets and liabilities:			
Receivables	( 8,223)	3,101	( 5,122)
Accounts payable	<u>( 1,284)</u>	<u>( 7,266)</u>	<u>( 8,550)</u>
Net Cash Used By Operating Activities	<u>\$( 75,951)</u>	<u>\$( 27,441)</u>	<u>\$( 103,392)</u>

The accompanying notes are an integral part of these financial statements.

**COTTRELLVILLE TOWNSHIP**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
MARCH 31, 2008**

	Agency Fund
	<hr/>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,383
	<hr/> <hr/>
<b>LIABILITIES:</b>	
Due to other funds	\$ 260
Due to other governmental units	1,123
	<hr/>
	\$ 1,383
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Reporting Entity –

Cottrellville Township, Michigan, a Municipal Corporation, was organized as a Township in 1787, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 21 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two (2) Trustees, and provides services to its more than 3,800 residents in many areas including fire protection, water, sewer, roads, parks and planning and economic development.

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. There were no component units at March 31, 2008.

#### B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Also, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Garbage Fund** – is used to account for the special assessment levy for the purpose of providing garbage collection services.

The Township reports the following major proprietary funds:

**Water Fund** – is used to account for the distribution of water to residential and commercial users.

**Sewer Fund** – is used to account for sanitary sewer services provided to the residential and commercial users.

# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Additionally, the Township reports the following fund types –

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Agency Funds** – are used to account for assets held by the Township as an agent for other government and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses from Enterprise Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

#### **D. Assets, Liabilities and Net Assets or Equity –**

##### **Deposits and Investments –**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

# **COTTRELLVILLE TOWNSHIP, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

#### **Receivables and Payables –**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

All trade and property the receivables are shown net of an allowance for uncollectible.

#### **Property Tax Calendar –**

The Township’s property tax is levied each December 1 on the taxable value of property located in the Township as of the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance. The December 2007 levy is recognized as revenue for the year ended March 31, 2008.

#### **Capital Assets –**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired after April 1, 2004), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	15-50
Land improvements	15-20
Utility systems	50
Equipment and Furniture	5-20

#### **Fund Equity –**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

#### Budgets –

The Township Supervisor and the Clerk prepare and submit their proposed operating budgets for the year commencing April 1. The budgets include proposed expenditures and resources to finance them.

Prior to March 31, the proposed budget is presented to the Township. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's budget was adopted at the activity level for the General Fund and the function level for Special Revenue Funds. However, for control purposes it is maintained at the object (account) level.

#### Excess of Expenditures over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund –			
General Government –			
Legislative	\$ 5,000	\$ 5,094	\$ 94
Supervisor	16,430	16,717	287
Treasurer	17,530	18,200	670
Board of Review	2,200	3,065	865
Elections	6,200	7,490	1,290
Building and Grounds	25,750	26,732	982
Public Works –			
Drains	25,000	28,703	3,703
Street Lights	3,000	3,454	454
Transfer Out –	-	74,000	74,000

# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of March 31, 2008, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Deposits –			
Deposits with Financial Institutions -			
Checking/Money Market	\$ 535,789	\$ 366	\$ 536,155
Savings/Certificates of Deposit	<u>636,871</u>	<u>1,017</u>	<u>637,888</u>
Total Deposits	<u>\$ 1,172,660</u>	<u>\$ 1,383</u>	<u>\$ 1,174,043</u>
Reconciliation To Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Cash in Checking/Savings/ Money Market	\$ 872,660	\$ 1,383	\$ 874,043
Reported as Investments -			
Certificates of Deposit	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Grand Total Combined Balance Sheet	<u>\$ 1,172,660</u>	<u>\$ 1,383</u>	<u>\$ 1,174,043</u>

### Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, deposit accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of March 31, 2008, the bank balance of the Township's deposits were \$1,199,853 of which \$401,436 was FDIC insured with the balance \$798,417 exposed to credit risk because they are uninsured and uncollateralized.

The Township's investment policy primary objectives, in order of priority, are safety, return on investment liquidity, and diversification. The Township Treasurer is responsible for the investment program.

# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

### NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

#### Investments –

Act 20 PA 1994, as amended by Act 1997 PA 1999, authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase, are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 365, 129.111 to 129.118; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**Custodial Credit Risk** – is the risk that in the event of a bank failure, the Township's deposit or investments may not be returned. The Township investment policy does not address credit risk.

**Interest Rate Risk** – is the risk that in the event that the market value of securities in the Township portfolio will fall due to changes in the market interest increases. The Township attempts to minimize interest rate by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short-term securities, money markets mutual funds, or similar public investment pools. The Township's investments have the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years)		
		<1	1-3	3-5
Certificates of Deposit	\$ 300,000	\$ 300,000	\$ -	\$ -

**Credit Risk** – is the risk that in an issuer or other counterparty to an investment will not fulfill its obligation. State laws and Township policy limit the types of investments the Township can purchase, however, there is no additional restriction specified in the Township's investment policy.

**Concentration of Credit Risk** – is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township's policy specifies that investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

### NOTE 4 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts and interest	\$ 32,265	\$ 153,152
Special assessments	-	38,932
Due from other governmental units – State	40,978	-
Due from current tax fund	<u>260</u>	<u>-</u>
	<u>\$ 73,503</u>	<u>\$ 192,084</u>

### NOTE 5 - CAPITAL ASSETS:

#### Primary Government –

Capital asset activity of the primary government for the year ended March 31, 2008 was as follows:

	April 1, 2007 Balance	Additions	Deletions	March 31, 2008 Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 33,800	\$ -	\$ -	\$ 33,800
Capital assets, being depreciated:				
Land improvements	357,603	17,612	-	375,215
Buildings and improvements	309,563	-	-	309,563
Equipment and furniture	<u>106,181</u>	<u>3,282</u>	<u>-</u>	<u>109,463</u>
Total capital assets being depreciated	773,347	20,894	-	794,241
Less accumulated depreciation	<u>76,843</u>	<u>29,653</u>	<u>-</u>	<u>106,496</u>
Total capital assets being depreciated, net	<u>696,504</u>	<u>( 8,759)</u>	<u>-</u>	<u>687,745</u>
Governmental activities capital assets, net	<u>\$ 730,304</u>	<u>\$( 8,759)</u>	<u>\$ -</u>	<u>\$ 721,545</u>
<b>Business-type Activities:</b>				
Capital assets, being depreciated:				
Main and extensions	\$ 2,294,865	\$ 20,000	\$ -	\$ 2,314,865
Equipment	<u>15,936</u>	<u>-</u>	<u>-</u>	<u>15,936</u>
Total capital assets being depreciated	2,310,801	20,000	-	2,330,801
Less accumulated depreciation	<u>1,173,869</u>	<u>46,734</u>	<u>-</u>	<u>1,220,603</u>
Business-type activities capital assets, net	<u>\$ 1,136,932</u>	<u>\$( 26,734)</u>	<u>\$ -</u>	<u>\$ 1,110,198</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General governmental	\$ 16,775
Recreation	<u>12,878</u>
Total Depreciation expense – governmental activities	<u>\$ 29,653</u>
Business-type activities:	
Water	\$ 16,760
Sewer	<u>29,974</u>
Total Depreciation expense – business-type activities	<u>\$ 46,734</u>

**COTTRELLVILLE TOWNSHIP, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The composition of interfund balances as of March 31, 2008:

**Transfer To/From Other Funds –**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Parks Fund	General Fund	<u>\$ 74,000</u>

This transfer is for purchase of capital assets expenditures.

**Transfer To/From Other Funds –**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tax Fund	<u>\$ 260</u>

This balance is for the payment of interest earned.

**NOTE 7 - RESTRICTED ASSETS:**

The sewer ordinance of Cottrellville Township requires that, annually, if excess is available after expenses of the sewer fund, \$6,480 be placed in an asset replacement fund. The cumulative amount transferred for replacement as of March 31, 2008 is \$97,200.

**NOTE 8 - RESERVED RETAINED EARNINGS:**

**Reserved Retained Earnings –**

Retained Earnings have been reserved in the sewer fund in the amount of \$97,200 to indicate that the money is reserved for capital improvements.

**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss to property loss, torts, errors and omissions, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limits of the coverages be exceeded. The amount of the settlement claims this year has not exceeded the insurance coverage.

**NOTE 10 - PRIOR PERIOD ADJUSTMENT:**

The Township has restated beginning sewer fund and water fund net assets by \$7,243 and \$6,445, respectively, to adjust the special assessment received at March 31, 2008.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# COTTRELLVILLE TOWNSHIP

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 135,800	\$ 135,800	\$ 129,668	\$( 6,132)
Licenses and permits	32,000	32,000	30,575	( 1,425)
Intergovernmental -				
State	263,100	263,100	266,004	2,904
Charges for services	2,500	2,500	-	( 2,500)
Interest and rents	30,600	30,600	27,274	( 3,326)
Other	20,002	20,002	29,602	9,600
	<u>484,002</u>	<u>484,002</u>	<u>483,123</u>	<u>( 879)</u>
<b>Expenditures:</b>				
General Government -				
Legislative	5,000	5,000	5,094	( 94)
Supervisor	16,430	16,430	16,717	( 287)
Assessor	17,950	17,950	16,720	1,230
Clerk	21,480	21,480	17,188	4,292
Treasurer	17,530	17,530	18,200	( 670)
Board of Review	2,200	2,200	3,065	( 865)
Board of Appeals	3,000	3,000	210	2,790
Elections	6,200	6,200	7,490	( 1,290)
Building and grounds	25,750	25,750	26,732	( 982)
Other	158,200	158,200	122,344	35,856
	<u>273,740</u>	<u>273,740</u>	<u>233,760</u>	<u>39,980</u>
Public Safety -				
Police department	8,000	8,000	10	7,990
Fire department	120,000	120,000	60,591	59,409
Inspections	30,000	30,000	26,994	3,006
	<u>158,000</u>	<u>158,000</u>	<u>87,595</u>	<u>70,405</u>
Public Works -				
Drains	25,000	25,000	28,703	( 3,703)
Roads	65,000	65,000	39,476	25,524
Street lights	3,000	3,000	3,454	( 454)
	<u>93,000</u>	<u>93,000</u>	<u>71,633</u>	<u>21,367</u>
Recreational and Cultural -				
Senior and youth programs	3,000	3,000	1,500	1,500
Community and Economic Development -				
Planning/zoning commission	21000	21000	7567	13433
Total Expenditures	<u>548,740</u>	<u>548,740</u>	<u>402,055</u>	<u>146,685</u>

# COTTRELLVILLE TOWNSHIP

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue over (under) expenditures	<u>\$( 64,738)</u>	<u>\$( 64,738)</u>	<u>\$ 81,068</u>	<u>\$ 145,806</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	204,738	134,738	-	( 134,738)
Transfers Out	<u>-</u>	<u>-</u>	<u>( 74,000)</u>	<u>( 74,000)</u>
	<u>204,738</u>	<u>134,738</u>	<u>( 74,000)</u>	<u>( 208,738)</u>
Net Change in Fund Balance	140,000	70,000	7,068	( 62,932)
Fund Balance at beginning of year	<u>671,847</u>	<u>671,847</u>	<u>671,847</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 811,847</u></u>	<u><u>\$ 741,847</u></u>	<u><u>\$ 678,915</u></u>	<u><u>\$( 62,932)</u></u>



**COTTRELLVILLE TOWNSHIP, MICHIGAN**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GARBAGE FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Other	\$ 154,000	\$ 155,438	\$ 1,438
<b>Expenditures:</b>			
Public Works - Utilities	154,000	148,186	5,814
Net Change in Fund Balance	-	7,252	7,252
Fund Balance at beginning of year	105,605	105,605	-
Fund Balance at end of year	<u>\$ 105,605</u>	<u>\$ 112,857</u>	<u>\$ 7,252</u>

## **SUPPLEMENTARY INFORMATION**

**COTTRELLVILLE TOWNSHIP, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2008**

	Special Revenue Funds		
	Cherry Beach Lighting	Parks	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,002	\$ 62,703	\$ 63,705
Receivables - accounts and interest	122	-	122
Total Assets	<u>\$ 1,124</u>	<u>\$ 62,703</u>	<u>\$ 63,827</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 114	\$ 412	\$ 526
<b>Fund Balance:</b>			
Unreserved - Undesignated	1,010	62,291	63,301
Total Liabilities and Fund Balance	<u>\$ 1,124</u>	<u>\$ 62,703</u>	<u>\$ 63,827</u>

# COTTRELLVILLE TOWNSHIP, MICHIGAN

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2008

	Special Revenue Funds		
	Cherry Beach Lighting	Parks	Total
<b>Revenues:</b>			
Intergovernmental -			
Local	\$ -	\$ 15,889	\$ 15,889
Other	1,380	1,120	2,500
Total Revenues	<u>1,380</u>	<u>17,009</u>	<u>18,389</u>
<b>Expenditures:</b>			
Current -			
Public Works	1,380	-	1,380
Recreation and Cultural	-	31,522	31,522
Total Expenditures	<u>1,380</u>	<u>31,522</u>	<u>32,902</u>
Revenues under expenditures	-	( 14,513)	( 14,513)
<b>Other Financing Sources:</b>			
Transfers In	<u>-</u>	<u>74,000</u>	<u>74,000</u>
Net Change in Fund Balances	-	59,487	59,487
Fund Balances at beginning of year	<u>1,010</u>	<u>2,804</u>	<u>3,814</u>
Fund Balances at end of year	<u>\$ 1,010</u>	<u>\$ 62,291</u>	<u>\$ 63,301</u>

**COTTRELLVILLE TOWNSHIP, MICHIGAN**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2008**

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>CHERRY BEACH LIGHTING FUND</b>			
<b>Revenues:</b>			
Other	\$ 1,500	\$ 1,380	\$( 120)
<b>Expenditures:</b>			
Public Works - Utilities	1,500	1,380	120
Net Change in Fund Balance	-	-	-
Fund Balance at beginning of year	1,010	1,010	-
Fund Balance at end of year	<u>\$ 1,010</u>	<u>\$ 1,010</u>	<u>\$ -</u>

**PARK FUND**

<b>Revenues:</b>			
Licenses and Permits - County park millage	\$ 15,000	\$ 15,889	\$ 889
Other	4,000	1,120	( 2,880)
Total Revenues	19,000	17,009	( 1,991)
<b>Expenditures:</b>			
Recreation and culture - Salaries and wages		3,003	
Contracted services		5,240	
Other		23,279	
Total Expenditures	82,000	31,522	50,478
Revenues under expenditures	( 63,000)	( 14,513)	48,487
<b>Other Financing Sources:</b>			
Transfers in	70,000	74,000	4,000
Net Change in Fund Balance	7,000	59,487	52,487
Fund Balance at beginning of year	2,804	2,804	-
Fund Balance at end of year	<u>\$ 9,804</u>	<u>\$ 62,291</u>	<u>\$ 52,487</u>

## **FIDUCIARY FUNDS**

**COTTRELLVILLE TOWNSHIP, MICHIGAN**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
CURRENT TAX COLLECTIONS FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$          8,734</u>	<u>\$      1,851,350</u>	<u>\$      1,858,701</u>	<u>\$          1,383</u>
Due to other funds	5,778	260	5,778	260
Due to other governmental units	<u>2,956</u>	<u>1,851,090</u>	<u>1,852,923</u>	<u>1,123</u>
Total Liabilities	<u>\$          8,734</u>	<u>\$      1,851,350</u>	<u>\$      1,858,701</u>	<u>\$          1,383</u>

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Supervisor and  
Members of the Township Board  
Cottrellville Township  
St. Clair County, Michigan

In planning and performing our audit of the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cottrellville Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Cottrellville Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

### **The procedure for approving expenditures should be modified.**

It is our understanding, based on discussions with Township personnel, that all invoices are approved by the Township Board before payments are made unless they will incur a penalty in which case they are paid and subsequently approved by the Township Board. However, during our testing we were unable to agree certain expenditures to the Township Board minutes because check registers were not always attached. To increase controls we recommend that the Board minutes indicate the total amount of expenditures approved for payment or the check numbers and that a check register be attached each time the bills are approved.

In addition it is our understanding that the Michigan Compiled Laws only allow for the payment of bills prior to approving if there is a formal resolution approved by the Township Board outlining the type of expenditures that can be paid prior to approval and under what circumstances. Although it appears that an informal procedure has been determined, we recommend that a formal policy be approved by the Board.



**The payment of wages to elected officials should be reviewed.**

During our audit we noted that the Supervisor and Treasurer, and Clerk for a period of time, was compensated amounts over and above the approved amounts for their elected positions. It was explained to us that these amounts are for duties performed that are outside their statutory duties. We were told that the Township legal counsel has reviewed this process and has indicated that it is permissible, however, no written opinion regarding could be provided. We recommend that the Township obtain a written opinion regarding this process.

In addition, assuming that this is a permissible process, we recommend that the time reports for each of the officials be reviewed and approved by the Township Board prior to payment each month.

**The utilities accounts receivable and all other balance sheets accounts should be reconciled to supporting documentation on a monthly basis.**

During our audit it was noted that the Township did not reconcile the detailed utilities accounts receivable ledger to the general ledger. In addition, we noted a number of other balance sheet accounts that did not agree to supporting documentation and required audit entries to balance to supporting documentation. By not performing these reconciliations on a monthly basis a number of problems can occur and go undetected for extended periods. We recommend that all balance sheet accounts be reconciled to supporting documentation on a monthly basis.

**Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles.**

Management routinely prepares internal financial information to assess operations and the financial position of the Township on an ongoing basis. Although the internal financial information is useful to management, it is not presented in accordance with generally accepted accounting principles. The Township contracts with us, the auditors, to prepare adjustments to convert the financial statements from a modified cash basis to the modified accrual or accrual basis, to record the information necessary for the GASB 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles.

This is considered to be a control deficiency since errors could occur in the preparation of the financial statements that would result in material deviation from generally accepted accounting principles and the Township would not be in a position to detect them.

**All cash receipts should be recorded into the accounting system at the time of receipt with the cash drawer reconciled at the end of each day.**

It is our understanding that cash receipts for most types of receipts are not immediately entered into the cash receipt system but rather stamped paid on the billing and “batched” and recorded in the cash receipt system at the end of each day. Also, it is our understanding that if a customer does request a receipt, it is from a separate receipt book.

In order to have greater controls we recommend the Township either receipt all money into the computer system at the time of receipt or record each receipt in the receipt book. This will allow the township to reconcile the daily deposits to an original receipt.

This communication is intended solely for the information and use of management, the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Stewart, Beauvois & Whipple*

October 7, 2008

## AUDIT COMMUNICATION LETTER

October 7, 2008

To the Members of the Board  
Cottrellville Township  
St. Clair County, Michigan

We have audited the financial statement of the governmental activities, the business-type activities, and the aggregate remaining fund information of Cottrellville Township for the year ended March 31, 2008, and have issued our report thereon dated October 7, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated April 4, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Cottrellville Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Planned Scope and Timing of Audit**

We performed the audit according to the planned scope and timing previously communicated through discussions with the Supervisor, Treasurer and Clerk.

### **Significant Accounting Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cottrellville Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2007/2008. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate for unbilled water and sewer services. The estimate is based on subsequent billings and historical data. We evaluated the key factors and assumptions used to develop the unbilled water and sewer services in determining that they were reasonable in relation to the financial statements taken as a whole.

Management's estimate for depreciation. Management estimates based on historical data and estimated useful lives. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Reclassifying park millage receipt.
- Reclassifying special assessment receipts to decrease receivable.
- Recording receivable for Water Line Replacement.

### *Assistance with GASB 34 Presentation*

As a result of our assistance with the GASB 34 presentation, we proposed several entries to the March 31, 2008 account balances to reflect the difference between the Governmental Fund and the Governmental-wide financial statements.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 7, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

In addition to the Report on Internal Control we noted a few other items that although are not considered significant deficiencies could improve controls, the operational efficiency and/or compliance with laws and regulations. These items are discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Cottrellville Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

Stewart, Beauvais & Whipple

## **Attachment A**

The following is a list of items that we discussed with administration that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and or compliance with laws and regulations:

### **The Township should consider modifying its investment policy.**

During 2006, GASB No. 40 became effective for all governmental units. The Statement requires that the governmental unit disclose additional information regarding the types of investments held, length of maturity, security's rating, any limitation on the amounts that can be invested with any one financial institution or type of investment, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current Township investment policy be reviewed and modified to address each type of risk. During this process, the Board should consider whether they want to limit the amount and/or percentage of cash and investment that can be invested with any financial institution since the Township is generally only insured for \$100,000 with each financial institution.

### **The Township should reconcile wages reported per the General Ledger to wages reported on quarterly Federal Form 941's and on the summary W-3.**

Wages reported on the quarterly 941 are not reconciled to the wages reported on the Township General Ledger. To ensure posting accuracy and proper reporting, a quarterly reconciliation should be performed comparing wages reported per the Township General Ledger to wages reported on the Federal Form 941 filed. Any difference should be investigated, and necessary corrections made. A copy of the Federal Form 941 should also be kept on file at the Township.

### **The Township Board should adopt a formal credit card policy and original documentation should be required for all purchases.**

During our audit we noted that the Township has a couple of credit cards. It is our understanding that the Michigan Compiled Law only allow credit cards to be used by municipalities if a formal credit card policy has been adopted outlining who will maintain the credit cards, type of expenditures which the credit cards can be used for, documentation required, etc.

We recommend that a formal credit card policy be adopted and that original documentation be maintained for each purchase.

### **Donations to Nonprofit Organizations**

During the audit we noted that the Township donated \$1,500 towards the paving of the Cherry Beach Parking lot. Although this appears to be a very good cause, it is our understanding that contributions to nonprofit organizations are not allowable. We recommend that you consult with legal counsel regarding those types of expenditures.